

## World Agriculture & Trade



### U.S. Ag Exports: Volume Up, Value Down in Fiscal 1999

The value of fiscal 1999 U.S. agricultural exports is projected at \$52 billion, down \$2.5 billion from the revised fiscal 1998 forecast. While overall volume is projected to increase by 6.7 million tons to 148.7 million tons, total value is declining because prices for a number of key commodities are forecast to be lower. Three major factors are behind the drop in prices and total export value: large world supplies, weak global demand, and a strong U.S. dollar.

All of the expected increase in export volume is in the *bulk* category, which will be the first increase in bulk volume since fiscal 1995. Wheat and corn account for the entire gain; exports of soybeans and cotton are expected to fall. Bulk export value is forecast at \$18 billion in 1999, down \$2 billion from 1998.

The value of *high-value products* (HVP's) is forecast virtually unchanged at \$34 billion in 1999. Small gains in the value of red meat and vegetable exports are offset by lower prices and lower values for soybean meal exports. The HVP share of U.S. agricultural export value continues to rise to a new record 65 percent.

The value of U.S. agricultural imports are forecast up \$1.5 billion to a record \$39.5 billion, the 12th consecutive record. But the rate of growth in imports is expected to slow from 6 percent in 1998 to only 4 percent in 1999. As a result, agriculture's export surplus in fiscal 1999 is expected to be the smallest since 1987, just \$12.5 billion.

The growth in imports in fiscal 1999 is expected to be led by horticultural products, the fastest-growing import. Gains are expected in wine, malt beverage, vegetable, fruit, and juice imports. The stronger U.S. dollar (which results in lower import prices) is key to higher imports in 1998 and 1999. U.S. consumers are turning to higher-valued imports, such as Canadian beers and Australian wines, as well as to more specialty items, such as colored peppers and hydroponically grown tomatoes.

#### ***Bulk Export Value To Decline, But Volume To Rise***

Bulk export value is projected to slip 10 percent in 1999 to \$18 billion as prices continue very weak, particularly for soybeans, corn, and wheat. But volume of bulk commodity exports is expected to

rise 7 million tons to 104.5 million tons as shipments of wheat and corn increase.

Reduced competition from Canada and Argentina (from smaller crops) is expected to boost U.S. wheat and flour exports in fiscal 1999. With the larger export volume, wheat is the only major bulk commodity expected to also increase in value in 1999. Projected wheat and flour export value rises \$400 million to \$4.2 billion. However, wheat prices will remain under pressure, reflecting larger supplies in the U.S. and most major competitors, especially Australia and the European Union (EU), as well as continued weak import demand.

U.S. rice exports in fiscal 1999 are projected at 2.7 million tons (down 400,000 tons) and \$1 billion (down \$100 million). Production in Central and South America is expected to return to normal after a weather-related downturn in 1998, reducing the region's demand for U.S. rice. More normal production is also expected in South and Southeast Asia in 1999. Value will fall less than volume because the share of lower-valued rough rice is likely to decline from a high level in 1998.

U.S. corn exports for 1999 are projected up 3 million tons from 1998, but further price declines should reduce export value. Projected larger U.S. supplies and reduced competition from China, Argentina, and Eastern Europe will contribute to increased corn export volume in 1999. Prices of corn will remain under pressure because the second largest U.S. crop on record will lead to rising stocks.

This is the first forecast of 1999 agricultural exports (released August 28, 1998). *Bulk commodities* (HVP) include wheat, rice, feed grains, soybeans, cotton, and tobacco. *High-value products* comprise total exports minus the bulk commodities. HVP include semiprocessed and processed grains and oilseeds (e.g., soybean meal and oil), animals and animal products, horticultural products, and sugar and tropical products. Appendix table 27 presents a breakout of U.S. agricultural exports and imports by major commodity group—both volume and value—for 1997-99.

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Slow global demand for oilseed meals is likely to reduce U.S. exports of soybeans and soybean meal in 1999. Fiscal 1999 soybean exports are projected down 200,000 tons to 23.3 million tons and down \$1.1 billion to \$5.1 billion. With South American soybean carry-in stocks building (following record or near-record production in 1998) and prospects for large U.S. production, world prices are down sharply.

Among bulk commodities, U.S. cotton exports are expected to drop the most in 1999. Export volume is projected down 500,000 tons to 1.1 million tons as the drought across the largest Southern cotton-producing States reduces expected U.S. production to a 9-year low of just 13.6 million bales. This will be a 28-percent decrease in U.S. production, and export availabilities are expected to shrink correspondingly. In addition, China is expected to switch from large net importer to net export competitor for the first time in 6 years, sharply reducing global demand. U.S. export value is projected down \$900 million to \$1.7 billion.

### **HVP Export Value Strong Despite World Economic Slumps**

HVP exports are expected to remain relatively stable in fiscal 1999, slipping just a little more than 1 percent to a forecast \$34 billion. Soybean meal exports are expected to decline, falling \$400 million to \$1.5 billion. Partially offsetting this drop will be gains in red meats, projected up \$200 million, and vegetable exports, up \$100 million.

Continued weak demand in Asia and Russia is likely to be a major factor limiting 1999 gains in U.S. HVP exports. Major Asian markets for U.S. products are expected to remain in recession in 1999. Asia's downturn will cut overall foreign Gross Domestic Product growth from 3.2 percent in 1997 to 1.9 percent in 1998.

Japan is the key to recovery in Asia. Japan's contracting economy and weak currency is delaying Asia's potential drive toward recovery and could increase the pressure on China to devalue its yuan. Russia's currency devaluation and financial crisis will have the greatest impact on the other countries of the New Inde-

### **Declines in Oilseed and Cotton To Push Down Total U.S. Agricultural Export Value**

	1995	1996	1997	1998	1999
\$ billion					
Grain and feeds	17.6	21.6	16.5	14.0	14.0
Oilseeds and products	9.1	9.7	11.4	11.3	9.5
Livestock products	7.8	8.1	7.7	7.9	7.9
Poultry and products	2.3	2.9	2.9	2.8	2.8
Dairy products	0.8	0.7	0.8	0.9	0.9
Tobacco, unmanufactured	1.3	1.4	1.6	1.4	1.4
Cotton and linters	3.5	3.0	2.7	2.6	1.7
Seeds	0.7	0.7	0.9	0.9	0.9
Horticultural products	9.6	10.0	10.6	10.6	10.6
Sugar, tropical, and other	1.8	1.7	2.1	2.1	2.2
<b>Total</b>	<b>54.6</b>	<b>59.8</b>	<b>57.3</b>	<b>54.5</b>	<b>52.0</b>

Fiscal years. 1998 forecast; 1999 projection. Based on commodity forecasts in the August 12, 1998 *World Agricultural Supply and Demand Estimates*. Totals may not add due to rounding.

Economic Research Service, USDA

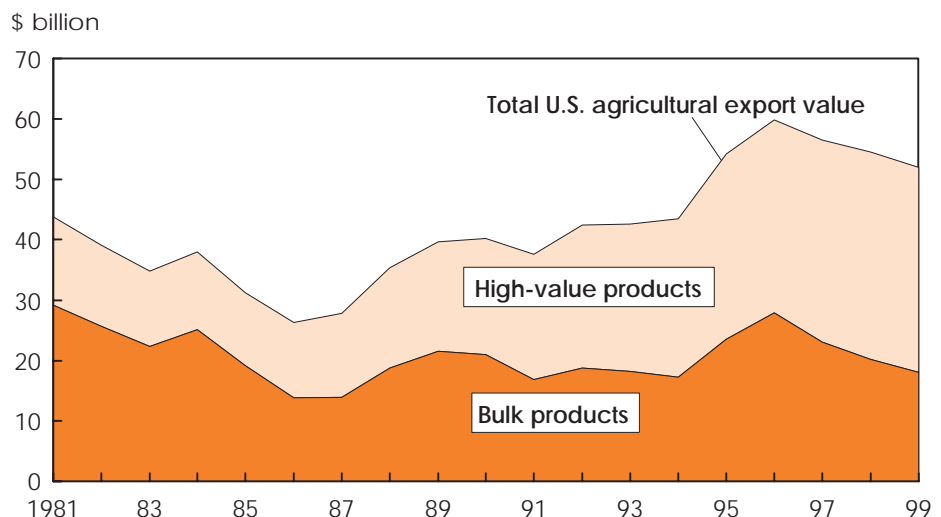
pendent States and its neighbors around the Black Sea.

Relatively weak demand prospects and rising foreign soybean carry-in stocks will constrain U.S. soybean meal exports in 1999. Soybean oil shipments, however, should remain strong at 1.3 million tons, valued at \$800 million. Global stocks of palm oil—a major competing vegetable oil—are expected to remain low with prices strong, as several years will be required to revive production from drought in Malaysia.

Red meat exports are expected to rise to \$4.3 billion in 1999, up from the \$4.1 billion estimated for 1998. Gains are expected in pork volume and beef prices. Pork shipments are being boosted by continued low pork prices. Beef export volume is expected to remain flat, hampered by recessions projected for Asia, but some recovery in beef prices is anticipated as world supplies decline.

Poultry exports are projected flat at \$2.4 billion in 1999. Russia, which accounted for 40-45 percent of all U.S. exports of poultry meat in 1997, is the greatest

### **U.S. Agricultural Export Value To Decline in 1999**



1998 forecast, 1999 projected.

Economic Research Service, USDA

## State Ag Export Rankings Changed Little in 1997

In fiscal 1997, California continued to be the largest exporting State and led in exports of four commodity groups—fruits, vegetables, tree nuts, and seeds. Nine of the top 10 leading agricultural export States—California, Iowa, Illinois, Nebraska, Texas, Kansas, Minnesota, Washington, and Indiana—remained the same as in 1996. However, Nebraska moved ahead of Texas and Arkansas moved up from 11th place in 1996 into 8th place in 1997, as a poor wheat crop pulled down total exports of several States, including 1996's 10th exporter, North Dakota. The top 10 leading States accounted for 58 percent of total U.S. agricultural export value, unchanged for the last 2 years. But as the total value of agricultural exports declined, exports from most of the major exporting States, with the exception of California and Arkansas, decreased in 1997.

The Economic Research Service (ERS) estimates export shares based primarily on State production shares of exported commodities. The data sources are crop and live-stock production and slaughter estimates from the National Agricultural Statistics Service and merchandise export data from the Bureau of Census. The census export data are reported on a free-along-ship (f.a.s.) basis by customs district and country of destination, but no State of origin is reported in the data set. In some cases, supplemental data—such as the *Census of Agriculture, 1992* and the Department of Commerce's *Exports from Manufacturing Establishments: 1990 and 1991*—were used to estimate export shares.

The estimated export value for each State should not be interpreted as actual measurements of a State's exports. An agricultural commodity is likely to pass through several States before being exported, and the State of origin is lost as commodities move from farmgate to port. To help compensate for this, class-specific production data are used to

### California Is the Leading U.S. Agricultural Exporting State

	1995	1996	1997
	\$ billion		
U.S.	54.6	59.8	57.3
California	7.0	7.2	7.7
Iowa	4.0	4.6	4.1
Illinois	3.5	4.0	3.7
Nebraska	3.2	3.5	3.3
Texas	3.4	3.5	3.1
Kansas	3.1	3.1	2.7
Minnesota	2.4	3.0	2.6
Arkansas	1.6	1.7	1.9
Washington	1.8	1.9	1.9
Indiana	1.8	2.0	1.9

Fiscal years.

Economic Research Service, USDA

calculate export shares when available. For example, export figures from States in the Pacific Northwest reflect white wheat exports (the share of white wheat production that is exported is larger than for other classes of wheat). A similar procedure is used for cotton and rice. Product use data (i.e., fresh-market and processed) are employed for fruits and vegetables.

The detailed commodity breakdown by State is available on the ERS Autofax System at 202-694-5700. Request documents number 16010 (12 pages, 5 years of data for all commodity groups in all States), number 16020 (a 1-page summary of top 10 States by commodity), and number 16021 (a 1-page summary of 5 years total agricultural exports, all States).

source of uncertainty for 1999. On the one hand, Russia's current financial crisis is likely to limit its imports. But on the other, poultry is the least expensive meat in Russia and its vastly shrunken domestic poultry industry is probably not capable of expanding quickly to meet demand.

U.S. horticultural exports are forecast unchanged at \$10.6 billion for fiscal

1999. Relatively strong prospects for economic growth in North America, coupled with reduced trade barriers under the North American Free Trade Agreement, are helping boost vegetable exports to Canada and Mexico, offsetting the weakened prospects for exports to Asia. Vegetable exports are projected up slightly to \$2.9 billion in 1999. Exports of fruits, wine, nuts, and other beverages

also have remained strong in 1998, despite the weakness in Asian demand and the strong U.S. dollar, and are expected to retain this buoyancy in 1999. Fruit exports are projected at \$3.3 billion and nuts at \$1.3 billion, both about the same as in 1998.

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